

Governor's Live Broadcast

April 8, 2004

Good evening, my fellow Kentuckians.

This is a *critical* moment for the future of our state.

With only two legislative days left,
House Democrat leadership has prevented us from adopting either a
budget or a tax program.

My purpose tonight is to explain to you
why we must have *action* on these issues
and to ask you to help me *get* the action we need.

When I took the oath of office,
just four months ago,
I pledged that I would work to clean up the mess in Frankfort,
and to make this government work within its means.

I promised that I would restore hope and opportunity
by stimulating job growth and investment in Kentucky.

We are making progress.

We have begun to *change* the culture of this place,
through efficiency, accountability and competitiveness.

But those goals are more urgent now than ever.

There is greatness in Kentucky. We have tremendous potential,
but it will never be fully realized
until we change the way state government thinks and operates.

Our economy has changed over the years,
but you wouldn't know it to look at the tax code.
We've become a state characterized by high poverty rates

and low education levels,
and the longer we wait to address our growing tax problems,
the longer we withhold expanded opportunity.

Just last week,
an important study by the Miliken Institute
concluded that our state
is one of the three *least* likely states in the nation
to make economic progress in the coming years.

We have more than a *budget* deficit.

We have a *growth* deficit.

I am simply not going to sit by
and let our state continue to run 48th out of the 50 states
in the competition for good jobs,
good incomes and good opportunities.

To become more competitive,
we have to be *strategic*
about the way we *raise* money
and the way we *spend* money.

And since it is unwise
to build a *spending* plan
on a broken tax structure,
we should *first* focus on taxes.

Everyone agrees that our tax structure is *definitely* broken.

Our tax on communications companies
has been declared unconstitutional by the courts.

Taxing phone and cable
but not taxing satellite television
has been judged to be not only *unfair*, but *against the law*.

Until this problem is solved,
we will have a hole in our budgets,

both at the state level
and among the various cities, counties and school districts
which depend on this revenue.

Our tax on corporate business headquarters
has also been declared unconstitutional.

But instead of causing the rates to go *down*,
the courts have ordered the rates to go *up*,
making the tax burden on business headquarters in Kentucky
far higher than the legislature ever intended.

The result is that we are driving business headquarters and good jobs
out of our state.

We must resolve these problems immediately.

But this is just the beginning,
because our tax code,
most of which was written more than 50 years ago,
has other, larger problems.

In short, our tax code is
not reliable,
not fair
and *not good for growth*.

Clearly our tax code is *not reliable* because,
in each of the last four years,
our tax code has failed to produce the level of revenue
that the legislature expected and budgeted,
requiring 1.3 billion dollars in painful mid-year spending cuts.

These cuts make the orderly planning and delivery
of government services extremely difficult
and cause justifiable anguish and fear among our people.

Our tax code is also *not fair*.

We should all be ashamed at the fact

that the burden of our income tax
on the families of the working poor
is among the harshest in the nation.

And it is also not fair that some businesses
enjoy the protections and services of our state
but pay nothing to support those services,
all because our tax code is riddled
with special interest loopholes which must be closed.

Finally, our tax code is ***not good for growth.***

It punishes hard work, talent, initiative, savings and investment--
the very things we need most
to bring jobs and prosperity to our state.

Our high rates of taxation
on both individuals and businesses
are ***job repellants,***
driving away and rejecting human capital and corporate investments.

In the last four months,
I have worked very hard
to fulfill my pledge
to lay before the General Assembly,
in this session,
a stable, fair and growth-oriented plan to rebuild our tax structure.

In devising a plan to address these problems,
I outlined three requirements:

First, the plan would have to be revenue-neutral--
that is, the plan would have to satisfy
the no-new-tax pledge I made to you.

This plan fulfills that pledge.

Second, I said that the plan should
lower the tax burden
on an overwhelming majority of all Kentuckians.

This plan fulfills that pledge.

Third, I insisted that our tax program stimulate significant, measurable job growth.

On that point,
“JOBS for Kentucky”
is not only the name of the plan
but that is its most important achievement.

This plan will create 7,000 jobs in the first two years.

That means that 7,000 Kentucky families
will have a better life,
bring home a better paycheck,
and enjoy the dignity of a good job.

What does JOBS for Kentucky do for education?

This plan will strengthen and increase
the level of funding available for needed government priorities,
including and especially education,
not by raising taxes,
but by stimulating the economy and creating new jobs.

The plan will take over 300,000 individuals in the families of the
working poor off the income tax rolls altogether.

The plan reduces the rate of taxation on Kentucky businesses,
but casts the net of taxation more widely
to ensure that out-of-state businesses don't get an unfair advantage.

The plan replaces a collection of complicated communications taxes
with a single fair tax—
one which will provide a reliable stream of revenue for cities, counties
and school districts.

The plan raises the tax on cigarettes by 26 cents per pack,
a level still much less than the average of the surrounding states

and at a level that will not harm our family farms.

And the plan will reduce the burden of income taxes for 98% of all Kentuckians.

In fact, my JOBS for Kentucky plan will lower your individual tax rates from 6% to 5.7% then to 4% over time as our economy grows.

Go to our website and calculate the savings for your own family.

The address is www.governor.ky.gov

In all of this, we have been guided by three principles that have helped other states become competitive.

Number one: we are broadening the base of taxation so that we can bring the rates down.

Number two: we are bringing *accountability* to the sort of decisions we each make in our personal lives.

With the cigarette tax, we are asking those who choose to smoke to help pay the cost of the healthcare they will require.

Number three: we have been guided by fundamental fairness and equal treatment.

In building this plan I relied on advice from individual citizens from top economists and community leaders, from business people and civic organizations, from farm, and manufacturing groups, and from both Republican and Democratic legislators.

As for the legislators, it is clear that they have practically studied our tax problems to death over the last ten years.

Some legislators have responded with courage and cooperation.

Others seem only to be interested in scoring political points and obstructing the progress of the plan.

But I want you to know and understand
that obstructing the solution to these well known problems
is obstructing the progress of this state and all of its people.

We must solve the problems with our tax system right now,
while we are addressing the budget.

It's just plain common sense to determine the amount of revenue that
is available before we set out to budget our spending.

But let me tell you why that is particularly important this year.

In my budget,
I proposed a level of borrowing,
focused on education and economic development.

It was well within the traditional borrowing policy of our state.

I felt that when a family is having trouble
making their monthly mortgage payments
it is not a good time to borrow more money
to build a new deck on the back of the house.

Both the House and Senate
have adopted budgets
that are dependent on significant economic growth in the future.

We can't tax our way into prosperity,
or borrow our way out of debt.

But, if the legislature adopts my JOBS for Kentucky program, I
believe that we will be able to find an acceptable compromise with
respect to the level of new debt.

But unless and until we have put in place
a stable tax program that will stimulate the economy,
I will not be able to accept this high level of debt,
particularly the debt levels being advanced by the House.

I am speaking to you tonight,
So that you will understand what is at stake.

I want you to know that I am particularly concerned that,
in the hours ahead,
there may be efforts to provide *half-a-fix* to the serious problems with
our tax structure.

To scale back and dilute the JOBS for Kentucky program is not what I
want, it's not what you want and it's not good for our state.

A problem *half* solved
is a problem half *unsolved*.

There may also be efforts to abandon the work we've started,
and leave here without a budget.

But there is no reason to leave this work unfinished
when the problems are obvious
and the solutions are clear.

I am willing to go any distance
meet any deadline
with any legislator
and address any issues
to fully solve our tax problems,
because I know, as you know,
that we must have a solution,
if we are to progress as a state.

We must have action on this plan by the General Assembly
And we need that action now.

I understand that this is an election year,
and the easy answer is to put this off.

But this is not a Democrat or Republican issue,
it's a Kentucky issue,
and the fix is long overdue.

I ask you to call your legislators now,
at 1—800—372—7181
and tell them
you want JOBS for Kentucky.

You want to end the harshness and unpredictability
of this tax structure.

You want to grow the economy of this state and create new jobs for
7,000 Kentucky families.

You want to restore Kentucky to greatness,
and fulfill our untapped potential.

Thank you for allowing me to serve as your Governor.

May God bless you and our great Commonwealth.